

Growth analysis of ESG investing in India

Prologue

- In the year 2008, CRISIL, Standard & Poor, KLD Research & Analytics launched the S&P ESG India Index.
- ESG reporting in India started in 2009 with the Ministry of Corporate Affairs (MCA) issuing voluntary guidelines on corporate social responsibility as the first step towards mainstreaming the concept of business responsibility.
- In 2011, MCA published National Voluntary Guidelines (NVGs) on social, environmental, and economic responsibilities of business. The guidelines were designed to be used by all companies in India.



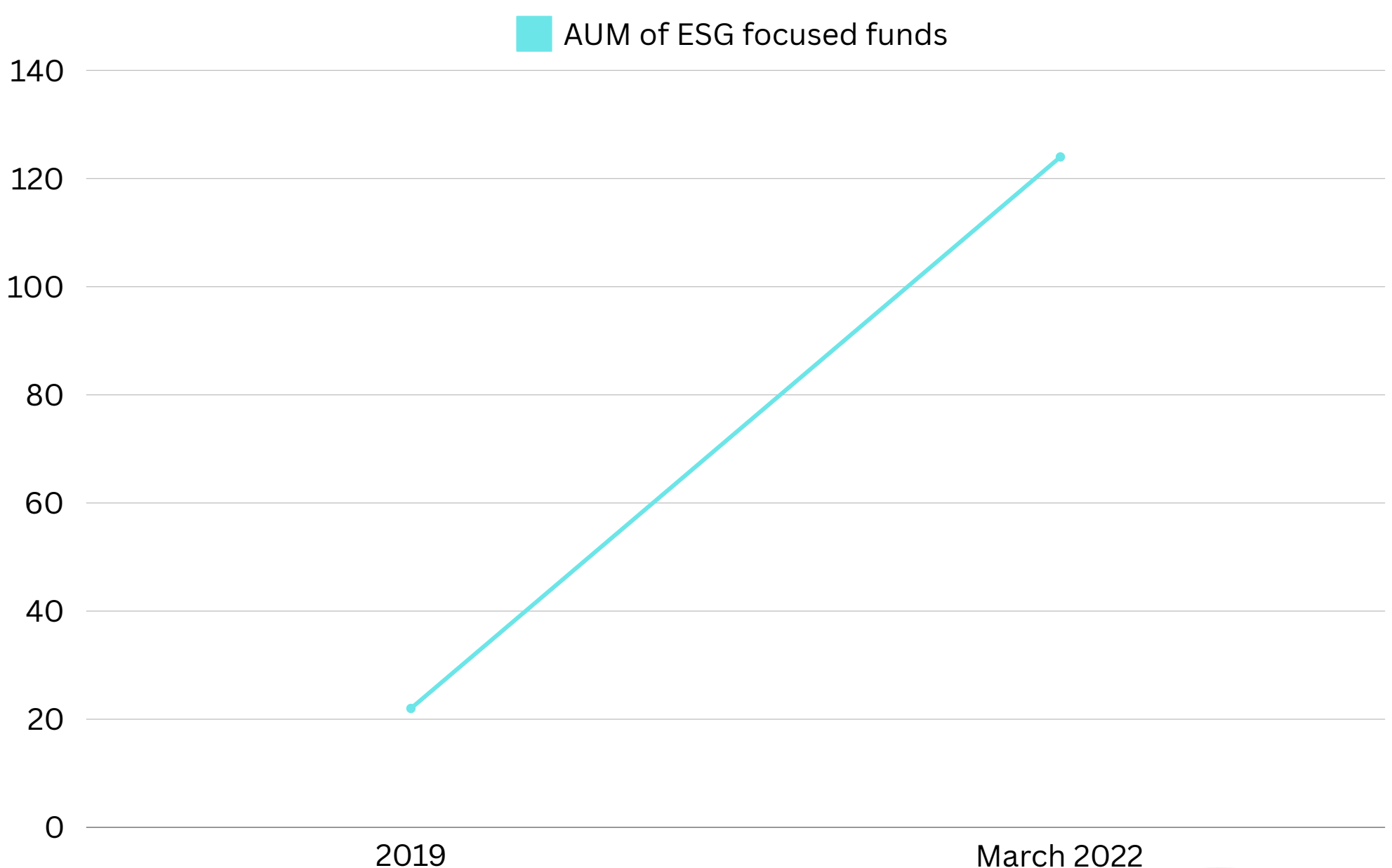
ESG and ESG Investing

Environmental, Social, and Governance (ESG) criteria have become increasingly important in the corporate world, reflecting a growing awareness of sustainability and responsible business practices.

ESG investing involves considering a company’s environmental, social, and governance performance alongside traditional financial metrics. It focuses on assessing a company’s sustainability practices, its impact on society, and the effectiveness of its corporate governance.

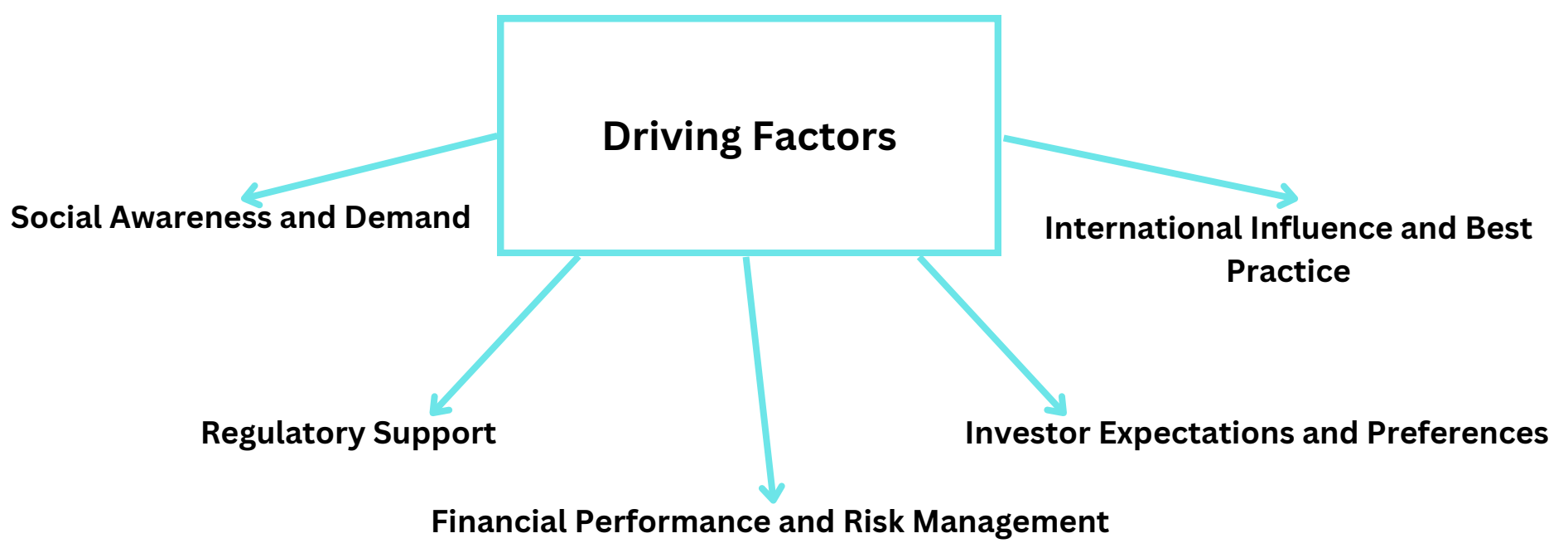
It goes beyond financial performance and considers non-financial factors that can influence a company’s long-term success and societal impact. By integrating ESG factors into investment decisions, investors aim to generate both financial returns and positive outcomes for the environment and society.

Growth and Potential of ESG Investing in India



According to industry reports, the assets under management (AuM) of ESG-focused funds in India rose from Rs 22 billion in 2019 to around Rs 124 billion in March 2022. This significant increase highlights the growing interest and potential for ESG investing in the Indian market.

Driving factors behind ESG investing's rise in India



ESG in Indian Markets

The demand and subsequent growth of ESG in India is 32%.

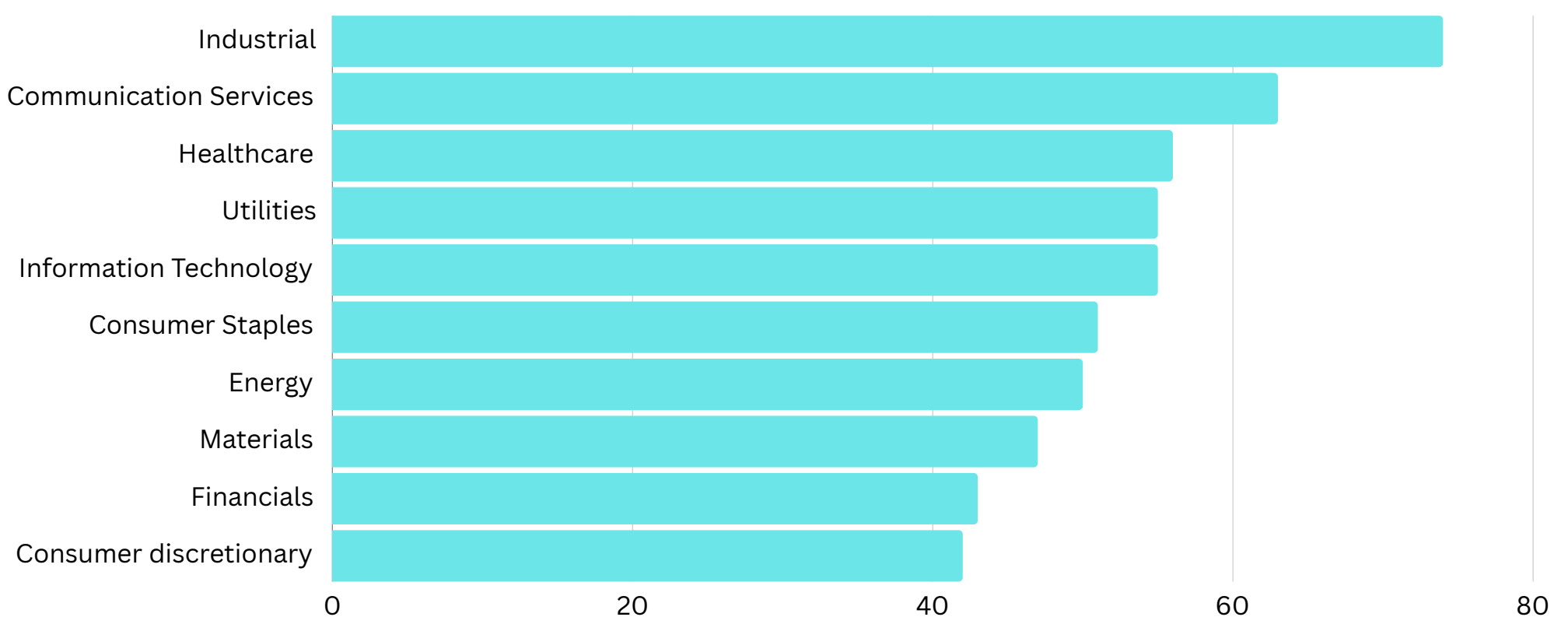
There is awareness among more and more companies in complying with the ESG standards. Following are some ESG Funds in India:

1. SBI Magnum Equity ESG Fund
2. Aditya Birla Sun Life ESG Fund
3. Axis ESG Fund
4. ICICI Prudential ESG Fund
5. Kotak ESG Opportunities Fund

ESG funds witnessed strong inflows, with aggregate AUM jumping to Rs 123.2 billion in November 2021, from Rs 26.3 billion in November 2019, reflecting a '4.7x jump' over a two-year period.

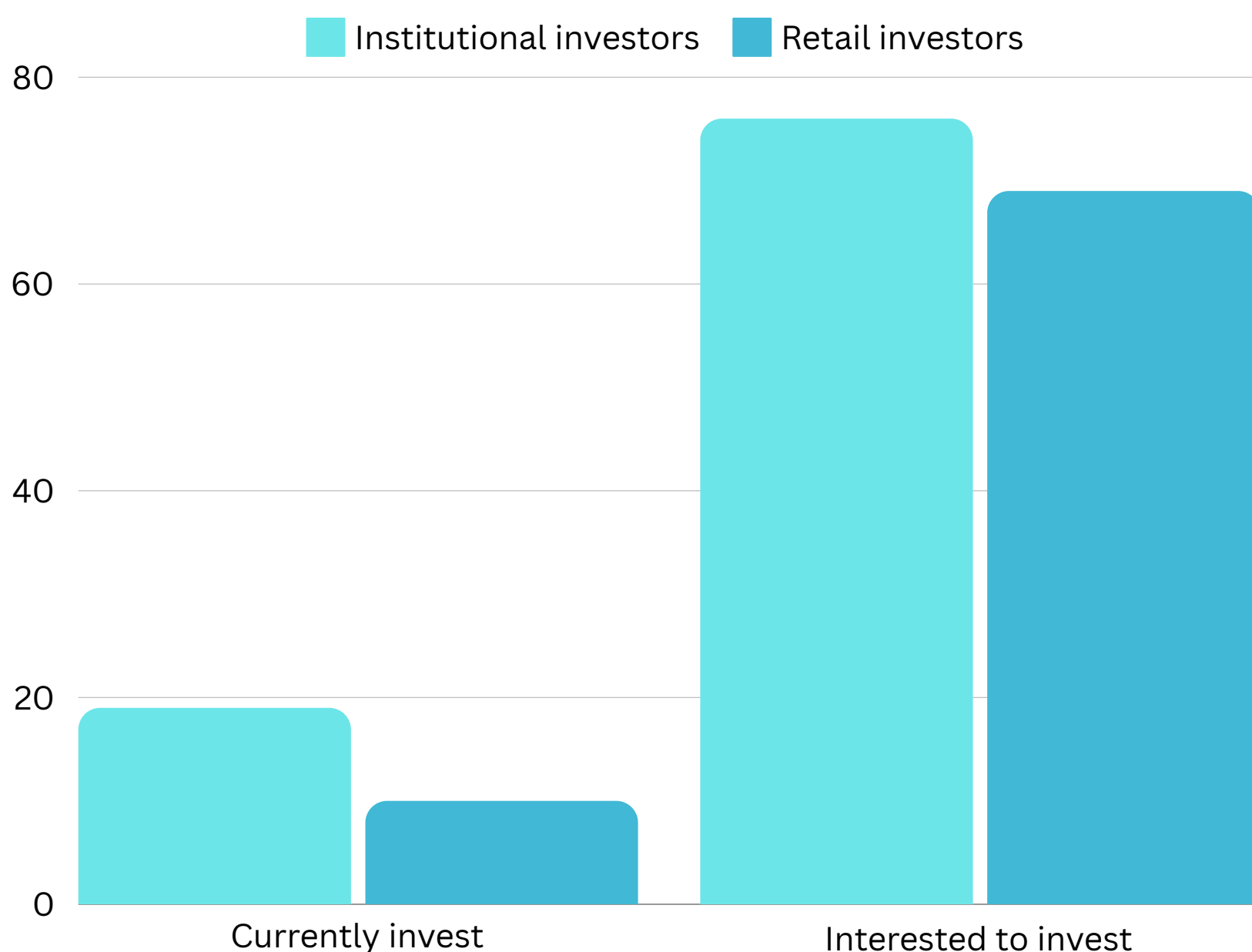
ESG Composite scores

As of financial year 2021, the environmental, social, and governance (ESG) composite score for the industrial sector in India was the highest among the NIFTY 50 companies. Communication services followed with the second-highest score.



Investors interest in ESG investing in India

According to the 2020 CFA Institute Trust Survey, conducted among 3,525 retail investors and 921 institutional investors across 15 major markets including India, it was found that only 19% of institutional investors and 10% of retail investors currently invest in products that incorporate environmental, social, and governance (ESG) factors. Whereas, 79% of institutional investors and 69% of retail investors are interested to invest in such products.



Conclusion

In India, ESG investing—which combines financial performance with environmental, social, and governance considerations—is becoming increasingly popular. Although estimates place the market's actual size at USD 28 billion in AUM, the growth direction is clear. This surge is fueled by Global Momentum, Government backing and Regulatory push.

The emergence of ESG funds, growing investor interest, and the expanding green bond market—which will have issued more than \$21 billion in bonds by February 2023—all attest to this growth (Climate Bonds).



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